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EU-25

Oilseeds and Products

Changes in the EU oilseed situation

2006

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Report Highlights:

European crushers are substituting rapeseed for soybeans because of the higher crush margins for rapeseed, due to the biodiesel boom. Rapeseed oil prices are high in the EU but the prices for unprocessed rapeseed remain unchanged, as biodiesel boom has not yet directly affected EU farmers.

Imports of soyoil and soymeal have increased over the last three years. Brazil is the largest supplier. Norway is the third largest supplier, however Norway's processed products are made from soybeans originating from Brazil.

Includes PSD Changes: No
Includes Trade Matrix: No
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The EU has become a net importer of soy oil since November 2005. This change is quite remarkable considering that as late as in 2002/03 the EU25 was still a net exporter of soy oil, exporting almost 660 thousand tons.

The same trends is found in rapeseed, where for the first time in recent history the EU turned into a net importer of rapeseed oil with 36 thousand tons in Oct/Dec 2005. This trend is expected to continue and some forecasts predict that EU rapeseed oil exports for 2005/06 will be only 65 thousand tons, compared to 139 thousand tons on 2004/05. And that EU rapeseed oil imports are forecast to increase to 290 thousand tons in 2005/06, compared to 33 thousand tons in 2004/05.

Positive crush margins for rapeseed have lead to crushers in the EU to switch from soybean to rapeseed. For both soybean and rapeseed crushers the processing costs have increased quite sharply as a result of much higher energy costs in the EU. The EU rapeseed oil prices have risen sharply so far this season, from \$636/ton in Aug 2005 to \$746/ ton in Feb 2006, according to the UK based Home -Grown Cereals Authority (HGCA).

The price spread between rapeseed oil and soyoil now stands at \$ 200/ton in the EU. This represents an increase of 58 percent compared to three years ago.

Soybeans

The EU-25 is the world's largest importer of soymeal, accounting for almost one-half of all the soymeal imported. The turnover of EU crushers from soybeans to rapeseed due to the stronger crush margins is also affecting the soybean imports negatively. In January 2006 the soybean processing in the EU was down 18 percent on the year.

Soybeans imported to the EU come mainly from Brazil. Soybean imports from the US have declined. Mainly because Brazilian soybeans generally have a higher protein and oil content.

Another reason for increased EU imports from Brazil is that European crushers prefer non-GM soybeans, and those are more available in Brazil. Also, US soybeans are generally price competitive between October and December, during the harvest period, whereas the Brazilian shipping season is longer.

FAS Paris reports that after an 11 percent decrease in French soymeal imports in MY 2004/05, soymeal imports have increased by 8 percent during the first 6 months of MY 2005/06. The reasons for this increase is that prices have not been very high in the past few months and the French feed industry appears reluctant to switch from soymeal to rapeseed meal.

With decreasing crush margins for soybeans, the preference in the EU is to import soy meal and soyoil instead. Imports for both these products are increasing.

Another notable fact is that Norway is the third largest supplier of soyoil and soymeal to the EU. Norway imports soybeans from Brazil, crushes them, and then exports the soyoil and some of the soymeal to the EU. Norway is a consumer of GMO free soybean meal but not a consumer of soy oil for food (regardless of GMO-free). Therefore, GMO-free soybeans are imported into Norway, crushed and the majority of the meal goes to domestic compound feed. GMO-free soybean oil is exported to food customers in the EU.

Norway has strict limitations on imports of agricultural biotechnology products, stricter than those in the EU. Before 1996 when these limitations went into force, US suppliers supplied 60 to 80 percent of the Norwegian soybean market.

EU25 Import Statistics Soybeans, Whether Or Not Broken				
Calendar Year: 2003 - 2005				
Partner Country	Thousand tons			% Change 2005/2004
	2003	2004	2005	
World	17,348	13,795	14,521	5.26
Brazil	9,771	8,361	9,458	13.13
United States	5,806	3,549	3,242	-8.63
Paraguay	912	979	946	-3.39
Canada	258	347	531	52.76
Malaysia	0	0	93	8
Uruguay	239	359	71	-80.12
Argentina	312	164	68	-58.74
Ukraine	13	14	39	185.29
Panama	0	0	36	0.00

Source: GTA

EU25 Import Statistics Soybean Oil And Its Fractions,				
Calendar Year: 2003 - 2005				
Partner Country	Thousand tons			% Change 2005/2004
	2003	2004	2005	
World	38	105	230	118.32
Brazil	2	17	164	875.00
Argentina	3	21	27	31.55
Norway	9	47	20	-58.64
Serbia	0	0	8	0.00
Serbia and Montenegro	5	9	4	-58.44
Romania	10	6	3	-49.15
Bosnia & Herzegovina	1	1	2	37.42
Ukraine	4	2	1	-49.97

Source: GTA

EU25 Import Statistics Soybean Oilcake And Other Solid Residues Resulting From The Extraction Of Soy Bean Oil, Calendar Year: 2003 - 2005				
Partner Country	Thousand tons			% Change 2005/2004
	2003	2004	2005	
World	20,859	21,445	22,031	2.73
Argentina	10,810	10,936	11,941	9.19
Brazil	9,681	10,277	9,679	-5.83
Norway	120	116	144	23.74
United States	66	11	107	845.39
Virgin Islands (British)	0	49	41	-16.36
Canada	0	0	20	0.00

Source: GTA

Rapeseed

The rapid increase in consumption of vegetable oil, mainly rapeseed oil for biodiesel, is boosting import demand for rapeseeds. About 95 percent of the current demand growth within the EU is due to the new biofuels requirements. Despite record rapeseed crushings, oil production is not keeping pace with demand. This is widening the domestic supply gap and will boost EU import demand for the foreseeable future.

One of the main problems is a lack of crush capacity in the EU. This has turned out to be bad for the rapeseed prices, and a rather good thing for the rapeseed oil. It has created a profitable crush margin and a positive situation for rapeseed crushers in the European Union. Crush margins have been attractive since 2004, and are continually improving. However, low prices for rapeseed also means that EU farmers have not yet really benefited from the biodiesel boom.

However, although the EU rapeseed prices are depressed and undervalued relative to rapeseed oil, they are currently 25 percent above Canadian canola prices, and are also higher than the world market prices. Some forecasts suggest that imports from third countries will increase to 420 thousand tons in 2005/06 and that about 200 thousand tons will be Australian canola.

Looking at the trade statistics imports of rapeseed meal are also likely to increase. The trade figures however mask the obvious fact that rapeseed meal production within the EU is much bigger than imports. The USDA official estimate for EU rapeseed meal production is 6,550 million tons for MY 2003/04 and 7,550 million tons for MY 2004/05.

FAS Berlin reports that the German rapeseed industry has funded research, and has done promotion to overcome farmer bias against the use of rapeseed meal in livestock production. This bias stems from the time when rapeseed, and consequently rapeseed meal, still contained high amounts of eruric acid and glucosinolates, which caused animals to stay away from the feed or resulted in digestion problems. However, with the new varieties of rapeseed this is no longer the case, and farmers can increase the use of rapeseed meal in the feed without these adverse consequences.

EU25 Import Statistics				
Rape Or Colza Seeds, Whether Or Not Broken				
Calendar Year: 2003 - 2005				
Partner Country	Thousand tons			% Change 2005/2004
	2003	2004	2005	
World	51	227	153	-32.34
Russia	15	64	55	-14.65
Romania	3	30	55	82.17
Ukraine	10	20	27	34.25
Croatia	14	3	10	205.43
Canada	4	3	4	24.67
Belarus	0	2	3	31.52
New Zealand	0	0	0	165.06
Australia	1	94	0	-99.89

Source: GTA

EU25 Import Statistics				
Rapeseed, Colza Or Mustard Oil				
Calendar Year: 2003 - 2005				
Partner Country	Thousand tons			% Change 2005/2004
	2003	2004	2005	
World	25	38	69	81.96
Ukraine	0	3	17	395.72
Canada	22	3	15	486.08
Belarus	0	9	9	-1.97
Romania	0	4	8	93.53
Argentina	0	0	7	0.00
Russia	0	8	5	-40.07
Croatia	1	0	4	2569.00
Paraguay	0	0	3	0.00

Source: GTA

EU25 Import Statistics				
Rape Or Colza Seed Oilcake And Other Solid Residues,				
Calendar Year: 2003 - 2005				
Partner Country	Thousand tons			% Change 2005/2004
	2003	2004	2005	
World	30	48	84	75.04
Russia	9	13	37	182.32
Canada	0	6	18	188.80
Ukraine	1	4	12	192.50
Argentina	2	7	8	16.86
Croatia	2	1	4	445.62
Romania	1	8	3	-58.61
Bosnia & Herzegovina	0	1	1	97.24

Source: GTA

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